

**FISCAL NOTE**  
**HB 2823 - SB 2915**

February 27, 2002

**SUMMARY OF BILL:** Authorizes the largest municipality located within any county having a population of not less than 319,000 nor more than 320,000 to administer their own local option sales tax. Under current law, based on Chapter 406 of 1999, authority to collect the local option sales tax was vested in the Tennessee Department of Revenue.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - Exceeds \$1,125,000**  
**Increase State Expenditures - \$22,000 One-Time**

**Increase Local Govt. Revenues - Exceeds \$1,125,000**  
**Increase Local Govt. Expenditures\* - Exceeds \$100,000**

For information purposes:

- Currently the Tennessee Department of Revenue receives an administrative fee of 1.125% of total local option sales tax collections to administer the local option sales tax act.
- It is estimated that the City of Knoxville, the only local government to which the provisions of the bill would apply, had \$100,000,000 in local option sales tax revenues generated in FY00-01.

Estimate assumes:

- A decrease in state revenues that exceeds \$1,125,000 due to the loss of administrative fee revenue based on FY 2001 collections for the City of Knoxville.
- An increase in state expenditures of \$22,000 one-time resulting from MIS system modification costs in the Department of Revenue.
- An increase in local government revenues that exceeds \$1,125,000 due to the administrative fee revenue the City of Knoxville would retain from enforcing its own local option sales tax collections.
- An increase in local government expenditures that is unable to be determined but is estimated to exceed \$100,000 due to the City of Knoxville having to audit, enforce, and collect local option sales taxes. These functions are currently performed by the Department of Revenue

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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